

UNESCAP Guidelines for Minimum Standards and Codes of Professional Conduct (CPC) for Freight Forwarders, Non-Vessel Operating Common Carriers and Multimodal Transport Operators

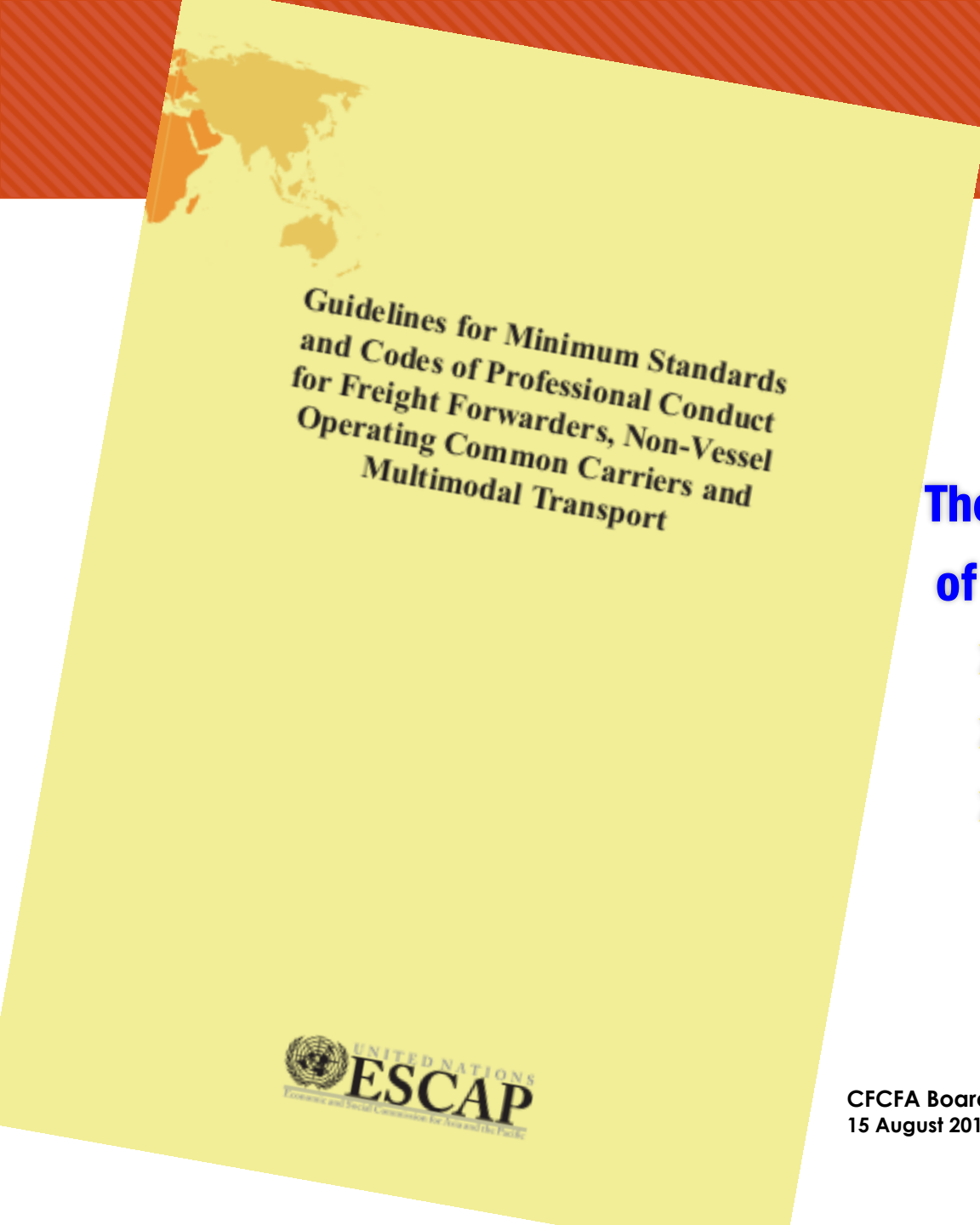
and

The Way Forward...

CFCFA Board Members Standards Review Meeting

15 August 2017 | Tashkent, Uzbekistan





**Guidelines for Minimum Standards
and Codes of Professional Conduct
for Freight Forwarders, Non-Vessel
Operating Common Carriers and
Multimodal Transport**



**The publication is a highlight
of the cooperation of :**

- **UNESCAP**
- **FIATA and its members**
- **Relevant government agencies**

Contents of the Guidelines

- I. Introduction**
- II. Classification and the Main Characteristics of Freight Forwarder, NVOCC And MTO**
- III. Government Regulation and Industry Self-Regulation**
- IV. Minimum Capital Requirement**
- V. Requirements for Staff and Professional Training**
- VI. Liabilities and Liability Insurance**
- VII. Compliance, Monitoring and Enforcement**
- VIII. Codes of Professional Conduct (CPC)**
- IX. Standard Trading Conditions (STCs)**

Potential benefits for FF, MTO and LPS (1)

- In 1970s, there were very few provisions made for NVOCC in the United States. Many operators entered the market with *“a phone, desk and Rolodex full of Chutzpah”*



The ‘fly-by-night’ reputation of many NVOCC operators from early beginnings resulted in generally negative perception of the industry

Potential benefits for FF, MTO and LPS (2)

- **To set up minimum standards and code of conduct may help the industry to build a positive image, attract talent people to join the industry, and foster a healthy industry**

On the other hand,

- **If the minimum standard is set too high, this may**
 - ✓ **prevent the poor and underprivileged to have an opportunity to learn and grow**
 - ✓ **limit market competition**

Thus, government need to

- ✓ **strike a right balance in making minimum standard**
- ✓ **create a level playing field of the market**

Government Regulations vs. Industry Self-Regulations

○ Government Regulations

- ✓ **more visible, effective, credible and accountable in implementing and enforcing compared with industry self regulations. [+]**
- ✓ **Government regulations are applied to all operators in the market. [+]**
- ✓ **Government regulations can be costly and slow to make. [-]**

○ Industry Self-Regulations

- ✓ **speed, flexibility, sensitivity to market circumstances and lower costs [+]**

But

- ✓ **self-regulation often fails to fulfill its theoretical promise, more commonly serving the industry rather than the public interest. [-]**
- ✓ **Self-regulatory standards are sometimes weak, enforcement is ineffective and punishment is secret and mild. [-]**

Compliance, Monitoring and Enforcement

○ ***Compliance***

- ✓ refers to the situation that freight forwarders, NVOCCs and MTOs comply with obligations and requirement of relevant and applicable laws, rules and regulations.

○ ***Monitoring***

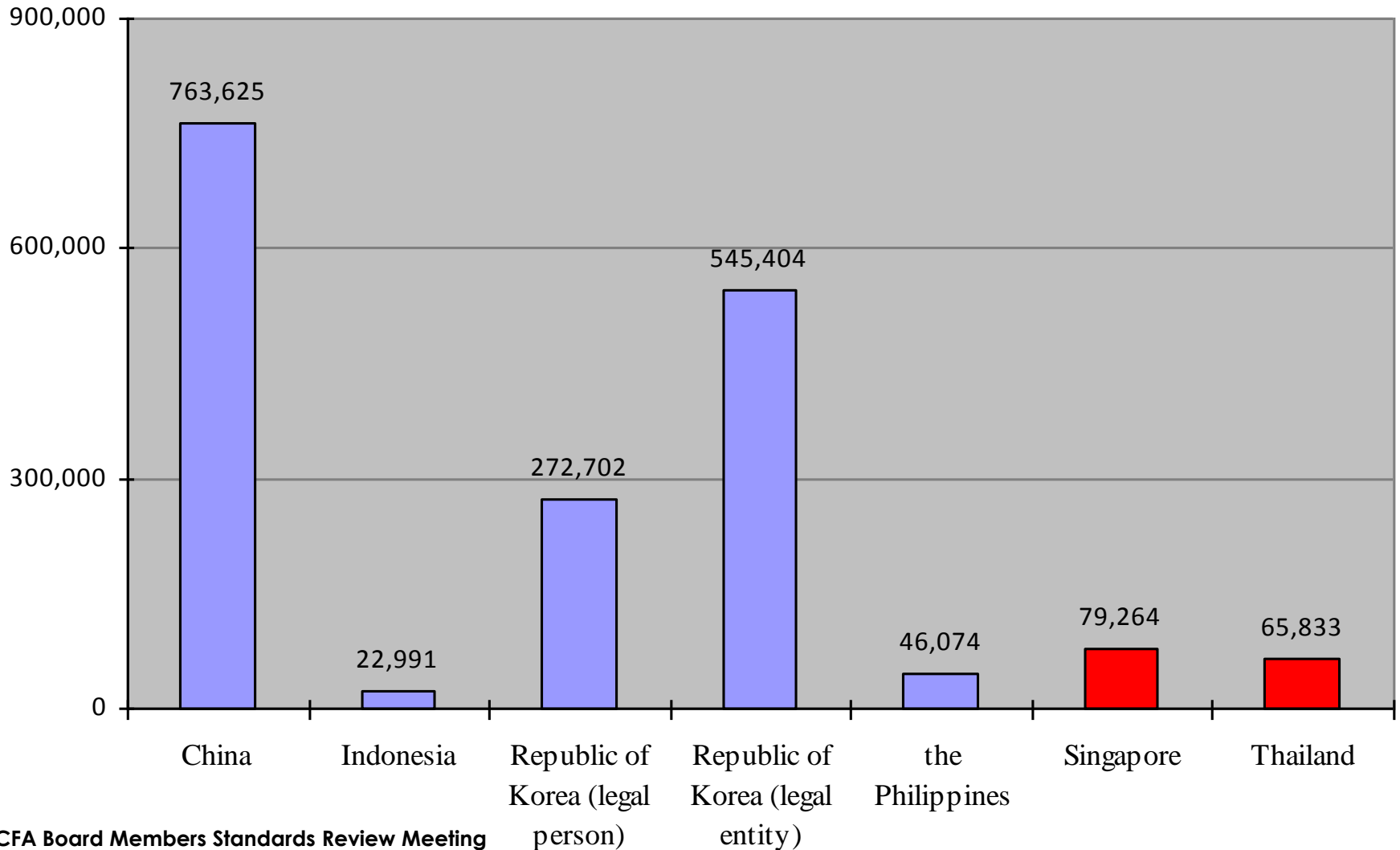
- ✓ means periodic or continuous surveillance of compliance.

○ ***Enforcement***

- ✓ means the range of actions and measures an enforcing authority may take in order to secure compliance.

These regulations are only useful and effective insofar as they can be complied and enforced through appropriate monitoring and enforcement mechanisms.

Minimum Paid-up Capital Requirement for Freight Forwarders (in US\$)



UNESCAP suggestions on Government Regulations on Minimum Capital Requirement

- **It is desirable for freight forwarders, NVOCCs and MTOs to have initial capital to cover the operational costs and essential liabilities.**
- **When considering the amount of minimum capital**
 - ✓ **the initial operational costs for at least six months**
 - +**
 - ✓ **average cost of possible liabilities (or liability insurance).**

Feedbacks from industry and some potential application

- **FIATA circular, mentioned :**

“ It is an impressive document and will be without a doubt very useful for governments and the forwarding industry in giving guidance for implementing standards and rules for the freight forwarding industry.”

- **Some countries are considering using the Guidelines as useful reference for making the national regulations and rules.**

The Way Forward...

- **Preliminary idea to develop similar minimum requirement and professional code of conduct for logistics service providers**

Logistics Service Providers (LSPs)

**In order to make any regulation relevant,
the first thing we need to know is :**

Whom are the

Logistics Service Providers (LSPs) ?

Classification Logistics Service Providers

What is Logistics

What ? You never know logistics can be so romantic?



WE ♥ LOGISTICS™

Logistics activities generally include

- ❖ **Purchasing, Production and Manufacturing, Warehousing, Material Handling, Packing, Inventory, Distribution and Transport, Information and Technology, ...**

Classification of logistics providers is often a headache...!



ASEAN Logistics Associations...

Indonesia	Thailand	Viet Nam
<p>Indonesian Logistics & Forwarding Association (ILFA) [3,000 members]</p>	<p>Thai Logistics Services Provider Federation</p> <ol style="list-style-type: none"> 1. Thai International Freight Forwarders Association: 2. Thai Air Freight Forwarders Association 3. Thai License Customs Brokers Association 4. The Transportation Association 5. Imports-Exports Transport Association 	<p>Vietnam International Freight Forwarders Association [140 members]</p>
<p>Indonesian Trucking Company Association [200 members]</p>		<p>Vietnam Ship Agents and Brokers Association (VISABA) [45 members]</p>
<p>Indonesian Courier Company Association [200 members]</p>		<p>Vietnam Ship Agents and Brokers Association (VISABA) [20 members]</p>
<p>Warehousing Association</p>		<p>Vietnam Seaport Association (VPA)</p>
<p>Logistics IT Association</p>		<p>Vietnam Automobile Transportation Association (VATA)</p>
<p>Shippers Association</p>		
<p>Shipping line and ports Association...</p>		
<p>Ship Agents Association</p>		

Some Approaches which may be taken

**Generic recommendations
for the common issues of
different logistics service
providers**

**Differentiated
recommendations for
different types of
logistics service
providers**



**Some useful studies will provide a solid basis and serve as
useful reference**

- ❖ *AusAID-funded Project 'Compendium of Best Practices and Benefits of National Logistics Associations in Selected APEC Economies'*

UNESCAP Guidelines for Minimum Standards & CPN

Thank
You